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Department of Industrial Relations
Self Insurance Plans
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INSTRUCTIONS:
PRIVATE GROUP SELF INSURER'S ANNUAL REPORT
Year Ending December 31, 2004

General Information

The annual report form, Form A4-40d, is for the private sector group self insurer and all its members. The group certificate holder is responsible for submitting a single annual report on behalf of itself and the group members, which do not receive an annual report form. This report must be completed and returned to Self Insurance Plans (SIP) by March 1, 2005.

The group certificate holder is required to complete a separate page 2 for each group member and each claims adjusting office.

SIP is sending one preprinted annual report form to each group self insurer with page 1 partially completed. All the group members that should be reported on this year's annual report are preprinted on the reverse side of page 1. The preprinted information should be verified for accuracy, and any errors in the preprinted material should be marked in ink on the report.

SIP needs three completed reports. The reports are required to be on white legal size paper with the original wet signature by the group self insurer on page 4, Deposit Calculation, and an original signature of the claims administrator on the reverse side of each page 2, Liabilities by Reporting Location for Group Member.

You may send a computer-generated facsimile following our format of the report form or any other page, provided the original signature is on legal size paper of the correct color. The other set may be photocopies on white legal size paper—remember, the forms are two-sided.

Also, submit two sets of the List of Open Indemnity Cases, and the Specific Excess Insurance Policy Coverage pages.

The reports are due **March 1, 2005** at Self Insurance Plans. We will accept the reports from January 2 to March 1 of each year.

Please send a copy of the group self insurer's current financial statement when it becomes available.

If you have any questions, please contact Self Insurance Plans at (916) 483-3392.

Instructions: Page 1—preprinted/to be completed by group self insurer

I. General

1. Verify the group certificate number.
2. Period of report. Indicate full year, unless this is an interim/amended report.
3. Name of group certificate holder. Enter or verify the name and address of the group certificate holder. Verify state of incorporation and federal tax identification number. If you know the first four digits of the North American Industry Classification System (NAICS) for your California operations, please insert it. If you do not have your NAICS code, please leave it blank and SIP will complete that section at a later date. The NAICS codes are published in the North American Industry Classification System, Executive Office of the President, Office of Management and Budget, 1997.
4. Indicate any changes made to the group certificate holder or its members the period January 1, 2004 through December 31, 2004. These include reincorporations, mergers, changes in identity and additions to the program.
5. Employment and wages paid in calendar year 2004, total of all group members. Report the total wages and salaries paid, and the total number of employees not the average number and not full employee equivalents. To help calculate the number of employees, page 1 asks for the number of W-2 tax forms issued to any employee in California for the given year.

Note: Revoked group self insurers should provide employment wage information for three years after revocation. This data is used to determine the private sector license fee assessment (Title 8, Chapter 8, Subchapter 2, Article 4, Assessments). If the employment and wage information is not included on the current annual report form, SIP will use the data from the last annual report form submitted.

6. Verify the company, name and address of the person who will receive all correspondence, invoices for fees and penalties, annual reports and notices of changes in regulations.
7. Verify or add the full name, affiliate group certificate number and federal tax ID # for each group member that self insures their workers' compensation liabilities. You are also required to submit the number of employees for each member and wages and salaries paid by each member.

The total number of individual employees can be attained from the members' EDD Quarterly Report Form DE-6, and should include all employees for which a W-2 tax form was issued for California employment, no matter how short a period of time worked during calendar year 2004. The salary information should be the total of figures reported on the members' EDD Form DE-3 or DE-4 for all four quarters of 2004.

Instructions: Page 2

II. Liabilities by Reporting Location for Group Member

This page must be completed by your third party administrator or your group claims administrator if self administered. This page is used for each claims adjusting office and each member of the group self insurer.

Reporting location number. Enter the number that corresponds to the TPA and the location of the administrator preparing this page. The first number is either 3 for TPA or 2 for self administered—the next four are the group self insurer certificate number—the next two are the TPA location number—the last three are the TPA certificate number.

Enter the names of the group member and the group certificate holder.

Type of report. This should be an original report, unless used for an interim report or sent subsequently to the original report to correct an error.

A. Cases and benefits.

1. Report the cases open as of 12/31/2004 that were reported prior to 2000 for the group member.

2a-e. Report the 2000, 2001, 2002, 2003 and 2004 claim liabilities in the split format. For each of these years report the liability figures for both *All cases reported* and *Cases open*.

The *Future Liability \$ Indemnity* and *\$ Medical* entry boxes for years 2000-2004 are centered, because the future liability for any given year should be the same as *All cases reported* and *Cases open* in that year. Also remember that the cases and benefits table should add mathematically both horizontally by year and vertically for the future liability.

The *Incurred Liability* entries minus the *Paid to Date* entries equal the *Future Liability* entries.

Each *\$ Indemnity* entry for each year adds mathematically across the table, and each *\$ Medical* entry for each year likewise adds up across the table.

Future Liability \$ Indemnity entries for years 2000, 2001, 2002, 2003 and 2004 (2a-e) are the same amount in any given year's line, whether you are calculating *All cases reported* or *Cases open* for that particular year. Similarly, the *Future Liability \$ Medical* entry for each of those years should be the same number for any given year, whether you are calculating *All cases reported* or *Cases open* for that particular year.

(SIP) does check the math—it must add horizontally across the page, and it must also add vertically down the *Future Liability* columns.

We will reject reports that do not calculate correctly.

Attach a list of all open indemnity claims. This list may be on the List of Open Indemnity Cases provided at the end of the annual report form, or a computer run organized in the same format. If the list of cases is a computer run, it must include the: name of insured, date of injury, description of injury, paid to date and estimated future liability. The listing must be by year reported and alphabetical within each year.

Page 2 Reverse Side: Administrator/Certification

- A. List the name of the current administrator or TPA at the time the report is being completed.

Note: This may not be the same as the claims administrator actually responsible for completing the report. If there is a change of administrator on or after January 1, 2004, the new administrator's name should be entered in item B with the date of the change and the agency name, address, etc. completed.

List the name of the person responsible for the claims, the administrative agency name and address, and the complete TPA certificate number that was issued by SIP.

- B. Please indicate if there has been any change in claims administration since January 1, 2004.

The person named in item A or B must have passed the Administrator's Exam.

The certification on one of the reports submitted to SIP must have an **original** (real, wet) signature and be completed with the administrator's name, title, company and address. A copy of an original signature is not acceptable.

The certification must be signed by a person who works at the reporting office, has passed the Administrator's Exam and whose name is on file at SIP. Any name changes needs to be reported to SIP prior to submitting the annual reports. A request for a name change must be accompanied by a copy of the documents such as a marriage license, divorce decree or petition for name change.

Reports with unqualified persons signing the liabilities section will be returned to the group self insurer.

Note: All Liabilities by Reporting Location for Group Member pages must be signed.

Instructions: Page 3 and Page 3 Reverse Side

III. Administrator Information

- A. Enter the total number of Reporting Location for Group Member pages.
- B. List on the reverse side the names of the claims administrators submitting each page 2 reporting location report, and amount of estimated future liability from page 2 line 3.
- C. Enter the total amount of estimated future liability for all group members, itemized on the reverse side.

IV. Records Storage

Indicate whether the group closed claims records are kept at any location other than with the present administrator. If so, give the name and address of the other locations.

V. Insurance Coverage

If any of the questions are not answered, the annual report will be returned.

1. Indicate if any of the workers' compensation liabilities are covered by a standard workers' compensation policy. List the insurance company name, policy number and issue date.
2. Indicate if any of the workers' compensation liabilities are covered by a specific excess workers' compensation insurance policy. List the insurance company name, policy number and issue date, and retention limit.
3. Indicate if any of the workers' compensation liabilities are covered by an aggregate workers' compensation insurance policy. List the insurance company name, policy number and issue date, and retention limit.

Instructions: Page 4

VI. Deposit Calculation

This section is used to determine the required security deposit. If you have claims on the List of Open Indemnity Cases that exceed the retention level of the specific excess policy, you need to first complete both sides of page 5 to calculate the total adjustment for excess coverage before completing page 4.

- A. Estimated future liability. This figure comes from page 3, section III, item C. It is the total of the future liability of each member from their Page 2 that is transferred to and totaled on page 3.
 1. Minimum deposit factor. This is 135% unless otherwise applicable to the group self insurer. For example, many self insurers have a 200% deposit rate required.
 2. Multiply item A by A(1) to determine the minimum deposit required, A(2).
- B. One year average unpaid claim liability calculation.
 1. Estimated Future Liability: This figure is taken from line A.
 2. Less Future Liability of cases prior to 2000: This figure is the sum of Future Liability [Medical and Indemnity] on line 1 from each Reporting Location for Group Member page submitted.
 3. Five year total unpaid Future Liability: This figure is line B1 minus line B2.
 4. One Year average unpaid liability: This figure is line B3 divided by 5. If you have been self insured for less than 5 years, divide the unpaid future liability by the number of years that you have been self insured.

C. Adjusted Deposit Required: Add Minimum Deposit required to one year unpaid liability claim:
line A(2) + line B(4).

D. Adjustment for specific excess coverage see page 5 for instructions on calculating.

This amount is deducted from the required deposit amount, because this amount is documented as covered by an excess insurance policy and gives you the adjusted total.

E. Security deposit required to be posted. Subtract item D from item C. By statute the minimum security deposit is \$220,000.

F. Total security deposit currently posted. Including all types of securities, this is the total security deposit currently posted with SIP.

Subtract item F from item E to determine whether a minimum deposit increase or decrease is indicated. (Keep in mind the deposit cannot decrease below the statutory minimum.)

Instructions: Page 5

Specific Excess Insurance Policy Coverage

Important notes: The calculation formula has been amended. Please read these instructions carefully.

In no event can credit for specific excess insurance exceed the claim's estimated future liability. Total unpaid carrier liability cannot exceed estimated future liability.

Credit can not be extended for specific excess coverage to insurance companies that are insolvent, seized, bankrupt, or a non-admitted California surety. As a state agency, Self Insurance Plans cannot violate California statutory law or the Insurance Code.

The only payments that may be applied toward a claim's specific excess retention are indemnity and medical expenses paid to date.

This page is used to itemize claims covered by a specific excess insurance policy. Each claim on the List of Open Indemnity Cases that exceeds the retention level of the specific excess policy should be entered here. This page should be completed before completing page 4, Deposit Calculation. There is room for information on three claims make as many copies as necessary of this page.

Complete all information on each claim, or credit for the claim's excess coverage may not be given. Enter the data as follows:

Name of claimant—last name, first initial.

Claim number—as entered on your loss runs to identify this specific claim, since more than one claim for the same person may exist.

Date of injury—actual date the injury occurred.

First year reported to SIP essentially the date reported to the employer, but we only ask for the year of the first annual report where we should find this claim on its list of open indemnity cases reported. For example, a 1987 claim reported in 1988 to the employer would be on the 1988 annual report: enter 1988.

Description of injury brief one- or two-word description, such as back, head, stress.

Name of specific excess carrier complete, correct name of the carrier, because many carriers have similar names.

Credit for specific excess coverage can not be extended to insurance companies that are insolvent, seized, bankrupt, or a non-admitted California surety. However, all claims that fall into this category must be reported, and the information is helpful in bankruptcy situations. Since no credit can be given for such cases, enter a zero in the box labeled Total Unpaid Carrier Liability, after completing all the other information pertaining to the claim.

Policy number of the specific excess policy covering the claim.

Policy period start and stop dates of the policy.

Employer's retention the amount of loss the group self insurer must pay before the carrier will indemnify it.

Upper policy limit the insurance policy's upper limit of indemnity is the maximum amount of loss for which the carrier will indemnify the group self insurer.

Check a yes or no response to: claim reported to carrier, claim acknowledged/accepted by carrier, has carrier denied any part or all liability of this claim.

Total of payment by excess carrier to date of this claim the amount the carrier has paid to date in reimbursements. This amount is for information purposes only, and does not enter into the calculations for excess credit.

Calculating the unpaid employer retention:

- 1a. Employer's retention stated in the policy, the minimum retention level is the amount of loss the group self insurer must pay on a claim before the carrier will indemnify.
- 1b. Total paid on claim use the sum of the paid-to-date indemnity and medical figures on this claim reported in the List of Open Indemnity Claims.
- 1c. Unpaid employer retention subtract the total paid on claim from the employer's retention to determine any unpaid employer retention. If the employer paid over the retention level and the total paid on claim is a larger number than the employer's retention, enter zero.

Calculating the total unpaid carrier liability:

- 2d. Estimated future liability on claim to estimate what remains to be paid on this claim in indemnity and medical, use the sum of the estimated future liability indemnity and medical figures reported in the List of Open Indemnity Claims.
- 2e. Unpaid employer retention the number determined in item 1c above.
- 2f. Total unpaid carrier liability subtract the unpaid employer retention from the estimated future liability on this claim to determine the total unpaid carrier liability.

Exception: For claims involving a specific excess insurance carrier that is insolvent, seized, bankrupt, or a non-admitted California surety, enter zero in this box because credit for excess coverage can not be given.

Note: **Total unpaid carrier liability can never exceed the estimated future liability of the claim.** The group self insurer may not take credit for payments made on a claim for which reimbursement has not been received by the specific excess insurance carrier. The group self insurer can only claim credit for specific excess insurance coverage for amounts left to pay on the claim, the estimated future liability.

Subtotal the sum of the total unpaid carrier liability for each claim on the page.

Page 5 Reverse Side: Calculation of Specific Excess Coverage Entry for Annual Report

To calculate the security deposit, the group self insurer needs the total adjustment for excess coverage figure to enter on page 4, line D. This adjustment figure is prepared by the claims administrator and calculated from the List of Open Indemnity Cases at the end of the annual report.

- 1. Enter the total unpaid carrier liability listed on all pages of Specific Excess Insurance Policy Coverage.
- 2. Enter the deposit rate applicable to the group self insurer.
- 3. Multiply the figure in line 1 by the figure in line 2 and enter that total in line 3.
- 4. Enter the figure in line 3 on page 4, line D.

Note: Remember to do this summary calculation on the back of the last page of Specific Excess Insurance Policy Coverage pages and submit the set of completed excess insurance pages with each report.